

# FEDERAL BUREAU OF INVESTIGATION

Form No. 1

THIS CASE ORIGINATED AT **HOUSTON**

FILE NO.

REPORT MADE AT <b>HOUSTON</b>	DATE WHEN MADE <b>NOV 20 1951</b>	PERIOD FOR WHICH MADE <b>6/8, 13, 14, 18; 8/23; 9/17; 10/20/51.</b>	REPORT MADE BY <b>SA WILLIAM P. CONLEY (A) FWH</b>
TITLE <b>PAN AMERICAN REFINING CORPORATION; ATLAS ASSURANCE COMPANY, LTD.; HARTFORD FIRE INSURANCE COMPANY -vs- UNITED STATES, Civil Action 681, United States District Court, Southern District of Texas.</b>			CHARACTER OF CASE <b>FEDERAL TORT CLAIMS ACT</b>

**SYNOPSIS OF FACTS:**

On 7-21-48 this suit consolidated with other Texas City Disaster suit for trial on sole issue of Government liability. On 5-4-50 Court ruled U.S. liable. Decision currently under appeal to U.S. 5th Circuit Court. Attorneys for plaintiff have refused to furnish information to Government relative to this suit.

[Redacted]

[Redacted]

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**DETAILS:**

The title of this report has been changed to indicate that on April 6, 1950, a Petition in Intervention was filed by the Atlas Assurance Company, Ltd. and the Hartford Fire Insurance Company, which companies were insurers of the Pan American Refining Corporation at the time of the Texas City Disaster. Attorneys AUSTIN Y. BRYAN, JR. and DAVID BLAND filed this Petition in Intervention.

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COURT ACTION

By order of the Honorable T. M. KENNERLY, Judge, United States District Court, Southern District of Texas, on July 21, 1948, this suit was consolidated with other suits filed as a result of the Texas City Explosion, to be tried on the matter of determining whether the Government was liable for damages incurred as a result of such Explosion.

Following trial to determine the matter of liability, on May 4, 1950, Judge KENNERLY entered his formal judgment, in which he found the Government liable. Notice of appeal from the decision of the United States District Court was given by Government counsel, and as of the date of the preparation of this report, the appeal is being perfected to be argued before the United States Circuit Court of Appeals, Fifth Circuit, New Orleans, Louisiana, on December 7, 1951.

ATTITUDE OF PLAINTIFFS' ATTORNEYS

Attorneys AUSTIN Y. BRYAN, JR. and DAVID BLAND, Niels Esperson Building, Houston 2, Texas, who represent the Plaintiffs in this suit, have advised this office that they would only make information in their possession, and in the possession of their clients pertaining to claims against the Government arising from the Texas City Disaster, available to Government representatives on the condition that the Department of Justice, or its designated representatives, would stipulate to the amount of damages or agree to arbitration of the amount of damages within a period of six months after they made the above information available. Consequently, no information pertaining to this suit against the Government has been furnished by the Plaintiffs.

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INSURABLE VALUES OF TEXAS CITY PLANT

Special Agents DONALD R. WASSNER and JOHN W. DEBELIUS, JR., of the San Antonio Office, photographed "Sworn Statements of Average Annual Values" which had been submitted by the Pan American Refining Corporation of Texas City, Texas, and were in the possession of the Board of Insurance Commissioners, Austin, Texas. The photographs of these statements are being retained in the files of the Houston Office at this time and will be forwarded to the United States Attorney at Houston, Texas, at a later date.

A sworn statement dated November 1, 1943, headed Pan American Refining Corporation, Texas City, Texas, indicates that the total value of the buildings at Texas City was \$19,172,002.00. The value of the contents was \$4,428,502.00, and the total value of buildings and contents was \$23,600,504.00. This statement bears a signature which appears to be L. M. WILSON. It was sworn to and subscribed to before FRANCIS J. RYDER, Notary Public in and for Kings County, New York, on November 1, 1943.

A statement headed Pan American Refining Corporation, Texas City, Texas, 100% Values as of October 31, 1945, indicates that the total value of buildings of the corporation located at Texas City was \$29,323,685.00. The value of the contents was \$5,727,341.00, and the total value of buildings and contents was \$35,051,026.00. This statement bears a signature which appears to be L. M. WILSON, Secretary of the Pan American Refining Corporation. The statement was sworn and subscribed to before ALVIN LAZARD, Notary Public in and for Kings County, New York, on January 15, 1946.

The following is a summary of four itemized schedules dated April 1, 1948, which are in the possession of the Board of Insurance Commissioners, Austin, Texas:

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"PAN AMERICAN REFINING CORPORATION  
MANUFACTURING DEPARTMENT - TEXAS CITY REFINERY  
ANALYSIS OF PROPERTIES FOR INSURANCE PURPOSES SHOWING  
DEPRECIATED VALUE OF CURRENT REPLACEMENT COSTS AT APRIL 1, 1948  
WITH NON INSURABLE ELEMENTS DELETED

S U M M A R Y

	<u>Amount</u>
A - Buildings	\$ 10,012,319.90
B - Process Units	32,939,700.44
C - Tank Structures	6,357,530.53
D - Other Plant Facilities	5,298,512.08
	<u>\$ 54,608,062.95</u>

MEMORANDUM

Plant Properties	\$ 52,802,417.43
Storehouse and Chemical Inventories	<u>1,805,645.52</u>
	<u>\$ 54,608,062.95</u>

Before me the undersigned authority on this the 10th day of September, 1948, personally appeared Albert Aarlie, who, after being duly sworn, deposes and says that he is the Office Manager of the Pan American Refining Corporation, and that he is familiar with the average values of each of the locations which to the best of his knowledge and belief are represented herein in the figures representing a fair average of the values in each of the locations throughout the year.

PAN AMERICAN REFINING CORPORATION  
BY: /s/ ALBERT AARLIE "

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"Sworn and subscribed to before me,  
this the 10th day of September, 1948.

/s/ RAY W. ROBERTS (Ray W. Roberts)  
Notary Public in and for Galveston County, Texas."

The individual schedules which are summarized above itemize buildings and refinery equipment located at Texas City, setting forth insurable values, and in the case of the buildings indicating the insurable value of the contents.

Relative to the term "Average Annual Values", which is used above, Mr. R. E. RUSKIN, Actuary, Insurance Division, Board of Insurance Commissioners, Austin, Texas, furnished the following information to agents of the San Antonio Office. He was unable to furnish an exact definition of the term. He explained that it was the practice of the Insurance Commission to send blanks to individuals who had a number of buildings and who desired an average rate of insurance to apply to all of these buildings. The alternative would be to pay the highest insurance rate applicable to any individual building. Mr. RUSKIN said that the individuals or companies who desired an average rate would then fill out the application blanks and return them to the Insurance Commission. From this information the Insurance Commission would determine an average insurance rate. Mr. RUSKIN said that no instructions were issued to the applicants for an average annual rate telling them how to arrive at the valuation of the property to be insured. He said that theoretically the Insurance Commission attempted to obtain what would be a sound value, which in his opinion would mean replacement value less depreciation, but would not necessarily mean either the book value of the property or its market value.

The schedules which were set out above were submitted to the Board of Insurance Commissioners for the purpose of obtaining an average annual insurance rate and it appears that Mr. RUSKIN's remarks would apply to them.

CORPORATION INCOME TAX RETURNS

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RECONSTRUCTION FINANCE CORPORATION RECORDS

Mr. H. J. HINRICHSEN, Industrial Engineer, Houston Loan Agency, Reconstruction Finance Corporation, 613 City National Bank Building, Houston, Texas, made available to the reporting agent the records pertaining to Plancor 1871 located at the site of the Pan American Refining Corporation, Texas City, Texas. These records are in the custody of Mr. E. L. DUKE, Manager of the Houston Loan Agency of the Reconstruction Finance Corporation.

The following information was obtained from a report contained in these records entitled "ENGINEERS FINAL REPORT OF DEFENSE PLANT CORPORATION, An Instrumentality of the U. S. Government, PLANCOR 1871, PAN AMERICAN REFINING CORPORATION, Texas City, Texas, August 31, 1944". The Defense Plant entered into an agreement of lease with the Pan American Refining Corporation, Texas City, Texas, for the construction and operation of a unit for the manu-

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facture of iso-pentane, an important component of aviation gasoline. All engineering and design, and the construction of the unit and related facilities, was performed by the M. W. Kellogg Company of New York City. Actual construction of the unit was started in March of 1944. For practical purposes, the Plancor was completed on August 15, 1944, when actual operations were initiated. The plant was in full operation on September 9, 1944.

The facilities of the plant were designed to produce approximately 3,200,000 gallons per month of iso-pentane. As of this date of this report full capacity had not been reached due to the fact that other units in the lessee's refinery had been shut down for alterations or overhaul. Full production was expected about October 1, 1944.

In their original design, the facilities were not multi-purpose. However, like many other refinery units, this unit could be altered or redesigned to meet the requirements for production of other products.

The facilities are closely inter-related with the Lessee's refining equipment at the plant and at present are dependent upon such for feed stock.

The original facilities could be operated for post war and peace time production, depending on the demands for aviation gasoline, as well as upon the economic factor of cost of production.

The original construction conforms to standard refinery construction practice, with only a few minor exceptions. There were no apparent difficulties which would interfere with the conversion of the facilities to other than war production of a component of 100 Octane gasoline.

Sale of the Defense Plant Corporation facilities to the Lessee would seem to be the logical method of disposing of the unit since it is closely inter-related with and, to a great extent, dependent upon the refinery for feed stocks.

This report was signed by H. E. BENNETT, Supervising Engineer, E. W. HUCKINS, Division Engineer, and ROBERT FRIESE, Control Engineer.

A report entitled "Sixth Supplement to Factual Appendix 'A' of Reconstruction Finance Corporation, Office of Defense Plants and Instrumentality of U. S. Government, Plancor 1871, Pan American Refining Corporation, Texas City, Texas, June 30, 1946" indicates that as of June 30, 1946, the total cost of Plancor 1871 to the Government had been \$2,832,227.43. There was a note in

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this report indicating that the above figure was not a complete accounting and that an additional supplemental report would be required. However, the additional report referred to did not appear in the files.

This report was signed by ERNEST F. JENKINS, Supervising Engineer, O. C. BRYANT, Division Engineer, and L. H. OWEN, Control Engineer.

Mr. H. J. HINRICHSEN advised the reporting agent that the files of the Houston Loan Agency of the Reconstruction Finance Corporation contain a form entitled "Proposed Sale Price" referring to Plancor 1871. The proposed price indicated on this form was \$480,000.00. This proposal is undated and unsigned. Mr. HINRICHSEN said that he recalls from his personal knowledge that Plancor 1871 was sold to the Pan American Refining Corporation, but said that he does not recall any of the specific details of this transaction. He said that the General Services Administration, Post Office Box 6030, Dallas 2, Texas, would have handled the final details of this sale of Plancor 1871 to the Pan American Refining Corporation.

HINRICHSEN said that J. J. NAILLIN and E. L. EARLY, attorneys, who were employed by the War Assets Administration and subsequently by the General Services Administration, were familiar with the details of this transaction.

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LEADS

The Houston Division

At Houston, Texas

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Will report any information obtained by the Dallas Office from the General Services Administration, Dallas, Texas, relative to the details of the sale of Plancor 1871 to the Pan American Refining Corporation.

At Galveston, Texas

Will report the final settlement of this suit in the United States District Court, Southern District of Texas, Galveston Division.

REFERENCE

Report of Special Agent WILLARD BOONE dated July 3, 1948, at Houston, Texas.

Bureau letter dated May 26, 1950, transmitting Departmental memorandum dated May 18, 1950.

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REPORT MADE AT <b>HOUSTON</b>	DATE WHEN MADE <b>DEC 20 1951</b>	PERIOD FOR WHICH MADE <b>12/3, 4, 13, 14/51</b>	REPORT MADE BY <b>WILLIAM P. CONLEY (A)</b> <span style="float: right;">el</span>
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TITLE <b>PAN AMERICAN REFINING CORPORATION; ATLAS ASSURANCE COMPANY, LTD.; HARTFORD FIRE INSURANCE COMPANY -vs- UNITED STATES, Civil Action 681, United States District Court, Southern District of Texas.</b>	CHARACTER OF CASE <b>FEDERAL TORT CLAIMS ACT</b>
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**SYNOPSIS OF FACTS:**

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**DETAILS:**

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The following investigation was conducted by Special Agent LAWRENCE D. WELCH (A) of the Dallas Office at Dallas, Texas.

Mr. RANDOLPH M. JACKSON, Regional Attorney, General Services Administration, Room 1711 Santa Fe Building, provided the following information which was contained in the files of the GSA, pertaining to the sale of Plancor-1871.

The file reflects that Plancor-1871 was sold to the Pan American Refining Corporation for \$411,500.00, which amount was paid by certified check at the time of the sale. In addition, personal property consisting of fire fighting equipment, office furniture and fixtures and miscellaneous items in the amount of \$2,315.80 was sold to Pan American, at this time. This personal property was conveyed by a bill of sale. The real property was transferred on January 15, 1948 by a letter of intent and acceptance, which was answered on January 15, 1948 by D. J. SMITH, President, Pan American Refining Corporation. A Deed of Warranty was delivered to Pan American on April 13, 1948, effective as of January 15, 1948, the date of the above letter of intent and acceptance.

This deed recites receipt of payment in full by certified check in the amount of \$411,500.00.



The file reflects that a detailed appraisal of Plancor-1871 was made by the Ralph M. Parsons Company, 617 S. Olive Street, Los Angeles, California, dated April 9, 1947. This appraisal lists the following property as being contained in Plancor-1871 and further lists their appraisal of the present day fair value:

<u>EQUIPMENT</u>	<u>PRESENT DAY FAIR VALUE</u>
Isomerization Unit, Office Leasehold & General Property	\$ 220,000.00
Boiler	80,000.00
Isopentane Pressure Storage	84,000.00
Feed Stock Storage	59,000.00
Total	<u>\$ 443,000.00</u>

This appraisal notes that the property comprising Plancor-1871 is intermingled and arranged to operate with the facilities of Pan American Refining Corporation and states that the property would be worth considerable less to any purchaser other than Pan American, as the facilities would have to be disassembled and removed.

The appraisal states that Plancor-1871 is a facility for the production of Isopentane, a blending agent, used in the manufacture of hundred octane aviation gasoline.

It is further noted that under the terms of the sale, the Pan American Refining Company, was prohibited from using these facilities for the purposes for which they were constructed, i.e. production of isopentane.

The file reflects that Pan American Refining Company, on March 7, 1947, originally bid \$380,000.00 for Plancor-1871. The Government countered the above bid by an offer of \$443,000.00, the amount of the above described appraisal on May 13, 1947. The final agreement at the price of \$411,500.00 was reached as a compromise on January 15, 1948. Mr. JACKSON advised that a review of the file reflects no note of any explosion damage to any of the facilities of Plancor-1871.

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It is noted that the above sale was consummated several months subsequent to the Texas City Explosion.

The file includes a diagram which distinguishes the property of Plancor-1871 from the property of Pan American Refining Company, and Mr. JACKSON advised that if desired, a photostatic copy of this diagram would be made available.

Mr. JACKSON advised that there is no one presently with GSA who is familiar with this transaction and he stated that he did not know the whereabouts of J. J. NAILLIN and E. L. EARLY, Attorneys.

ENCLOSURES TO THE  
U. S. ATTORNEY:

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14 photographs made of documents in the possession of the Board of Insurance Commissioners, Austin, Texas, pertaining to the Pan American Refining Plant at Texas City, Texas.

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ADMINISTRATIVE PAGE

LEADS

THE HOUSTON DIVISION

At Galveston, Texas:

Will report final settlement of this suit in the United States District Court, Southern District of Texas, Galveston Division.

REFERENCE: Report of Special Agent WILLIAM P. CONLEY (A) dated November 20, 1951 at Houston; Report of Special Agent WILLARD BOONE dated July 3, 1948 at Houston.